

January 11, 1951.
Passed on File.

House File 27
By PALMER, McFARLANE, HENDRIX.

Passed House, Date

Vote: Ayes..... Nays.....

Passed Senate, Date

Vote: Ayes..... Nays.....

Approved

A BILL FOR

An Act to amend subsection twenty (20) of section four hundred twenty-seven point one (427.1), Code 1950, relating to exemptions from moneys and credits taxation of the capital stock in certain manufacturing corporations.

Be It Enacted by the General Assembly of the State of Iowa:

- 1 Section 1. Subsection twenty (20) of section four
- 2 hundred twenty-seven point one (427.1), Code 1950, is
- 3 hereby amended by inserting after the comma in line nine (9)
- 4 the following:
- 5 "and manufacturing corporations organized under the
- 6 laws of other states having their main operating offices
- 7 and principal factories in the state of Iowa,".

EXPLANATION OF H. F. 27

The same taxes are paid to Iowa by a manufacturing corporation incorporated in another state as by a manufacturing corporation incorporated in Iowa. The stock of stockholders is, however, exempt from the moneys and credits tax if the corporation is incorporated in Iowa, while it is not exempt if incorporated elsewhere, even though its principal officers and principal factories are in Iowa.

This is a gross discrimination as was recognized in the report of the Committee on Postwar Taxation in 1946. The resident Iowa stockholders of twenty-nine manufacturing corporations located in Iowa are penalized because these corporations happen to be incorporated under the laws of another state. A great deal of expense would be entailed to re-incorporate in Iowa, especially where the stock is registered with the Securities and Exchange Commission.

The provisions of this bill were passed by the Senate in the last four sessions by large majorities and lost last session in the House by one vote. No possible justification exists for the discrimination. It will be corrected by enactment of this bill, giving the Iowa stockholders of these Iowa manufacturing corporations, which happen to be incorporated in another state, the same treatment accorded the stockholders of those incorporated in Iowa. Corporations will also be induced to locate in Iowa.